

HEUBLEIN, INC.

A World Company

1967 Annual Report

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HEUBLEIN, INC.

DIRECTORS

D. H. ANKENY
CHRISTOPHER W. CARRIUOLO
MARY G. FALVEY
PETER M. FRASER*
EDWARD H. HAMM
RALPH A. HART*
ED W. KELLEY*
THOMAS D. MANN
JOHN G. MARTIN*
THOMAS McMASTER
ARTHUR A. MILLIGAN
WILLIAM H. MORTENSEN*
FRANCES HEUBLEIN O'DELL
JOSEPH A. PROCHASKA
RICHARD RAPPORT
LESTER E. SHIPPEE*
ROBERT L. TRESCHER
STUART D. WATSON*
J. HAROLD WILLIAMS

*Members of Executive Committee

OFFICERS

RALPH A. HART
Chairman and Chief Executive Officer
JOHN G. MARTIN
Chairman of the Executive Committee
STUART D. WATSON
President
ED W. KELLEY
Executive Vice President
CHRISTOPHER W. CARRIUOLO
Senior Vice President
THOMAS McMASTER
Senior Vice President
JOSEPH A. PROCHASKA
Senior Vice President
WILLIAM W. BEHRMAN
Vice President
PAUL R. DOHL
Vice President
EDWARD L. HENNESSY, JR.
Vice President
JOSEPH M. McGARRY
Vice President
EDWARD F. MURPHY
Vice President
RICHARD F. NELSON
Vice President
FRED R. NYE
Vice President
MARTIN J. O'HAGAN
Vice President
DR. JOHN B. REHM
Vice President
JOHN M. TYSON, JR.
Vice President
KURT E. VOLCKMAR
Vice President
MARY G. FALVEY
Secretary
JOHN A. HENRY
Treasurer
JOHN J. MORAN
Controller

TRANSFER AGENTS

The Bank of New York
48 Wall Street
New York, New York 10015

Continental Illinois National
Bank and Trust Co. of Chicago
231 So. LaSalle Street
Chicago, Illinois 60690

REGISTRARS

Morgan Guaranty Trust Co. of New York
23 Wall Street
New York, New York 10015

The Northern Trust Company
50 So. LaSalle Street
Chicago, Illinois 60690

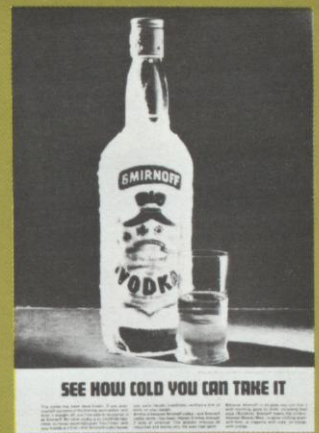
THEO. HAMM BREWING COMPANY — subsidiary

RALPH A. HART <i>Chairman of the Board and President</i>	CHARLES J. HERBERT <i>Vice President</i>	HERMAN G. VEDDER, JR. <i>Vice President</i>
WILLIAM HAMM, JR. <i>Honorary Chairman of the Board</i>	ROBERT D. HIRSCHBOECK <i>Vice President</i>	WILLIAM W. WADEL <i>Vice President</i>
ROY M. WESTLY <i>Executive Vice President</i>	LEONARD L. JOHNSON <i>Vice President</i>	ROBERT D. TOUGH <i>Treasurer</i>
ARTHUR W. CROSSLEY <i>Vice President, Secretary</i>	ROBERT E. LIVINGSTON <i>Vice President</i>	DONALD E. ALBERS <i>Controller</i>
JAMES R. FRASER <i>Vice President</i>	WILLIAM E. SPENCER <i>Vice President</i>	

ANNUAL STOCKHOLDERS MEETING

The annual meeting of stockholders of Heublein, Inc. will be held at 11:00 A.M., Thursday, October 19, 1967, at the Company headquarters, 330 New Park Ave., Hartford, Conn.

Smirnoff stands for the world's leading vodka in any language.



KENYA, E. AFRICA



LOOK WHAT A SINGLE WOMAN CAN MAKE WITH A SINGLE BOTTLE!

Always get for *Smirnoff* It leaves you breathless
VODKA

UNITED STATES



MEXICO



ARGENTINA



JAPAN



CANADA



Wie man als Junggeselle mittels eines „Schraubenziehers“

die ersten zarten Bande knüpft.

GERMANY



ITALY



MEXICO



ITALY



CANADA



THE YEAR IN BRIEF

1966	1967	
\$328,319,000	\$362,847,000	Net sales
24,830,000	27,925,000	Income before provision for income taxes
12,062,000	13,790,000	Income taxes—federal and state
12,768,000	14,135,000	Net income
1.90	2.15	Net income—per common share
.95	1.15	Cash dividends declared—per common share
28,789,000	34,478,000	Working capital
75,817,000	81,961,000	Total stockholders' equity
2.91	4.11	Stockholders' equity—per common share
13,232	12,192	Number of common share stockholders

REPORT TO OUR STOCKHOLDERS

Heublein, Inc., joined the ranks of the nation's 500 largest corporations this year, for the first time, and was included in the top 100 for its earnings growth rate, based on last year's performance.

Sales and net income for this fiscal year continued the trend. Sales, totaling \$362,847,000, were 10.5 percent ahead of the \$328,319,000 of a year ago.

Net income was \$14,135,000 compared with last year's \$12,768,000. Earnings per common share of \$2.15 were 13.2 percent above the previous \$1.90.

A 20 percent increase voted by the Board of Directors in October, 1966, raised the quarterly common share dividend rate to 30 cents and brought the year's total dividends paid to \$1.10 per share.

Our liquor products sales this year increased at a rate greater than that of the liquor industry and both of the Company's liquor divisions contributed to this achievement. All other product divisions had increased sales and earnings. Each area of the business is in a strong position for future growth.

Capital expenditures for the year, totaling \$8,671,000, included the following major projects:

The completion of an ultra-modern distillery, producing at the rate of 2,000,000 cases annually, at Allen Park, Mich., near Detroit. This increased our production capacity and gave us an excellent facility for serving the fast-growing Midwest market. The

operating and distribution efficiencies and economies derived will be substantial.

A multi-million dollar expansion of the Theo. Hamm brewery in Los Angeles will increase its capacity to 840,000 barrels per year in the fastest growing market in the United States.

We realigned our sales organizations and our product lines to achieve a greater penetration of our markets and to capitalize on new opportunities.

In the Food Division, we secured U.S. rights to Grey-Poupon Dijon Mustard, which we previously manufactured and marketed under a licensing agreement. A.1 Sauce made a major contribution to the sales and earnings increase.

We sold the hot cereal business in June and will now focus on the development and acquisition of products more compatible to our specialty foods line.

Smirnoff Vodka, the Company's leading product, achieved a new high in sales during the year and moved into No. 3 position among the nation's top-selling liquor brands. Vodka's steadily-growing popularity was confirmed again this year by industry figures showing that the rate of increase in its consumption now exceeds that of gin and Scotch.

Theo. Hamm Brewing Co., acquired just 19 months ago, had record sales this year and is in No. 8 position among U.S. brewers. Its rate of sales increase was greater than that of the brewing industry.

Sales of Heublein prepared cocktails surpassed last year's

Stuart D. Watson, president, left; John G. Martin, chairman of the executive committee; and Ralph A. Hart, chairman of the board and chief executive officer.



record high and the domestic market expanded under the stimulus of our promotion and that of additional producers entering the field. A Heublein Tequila Sour, for example, was test-marketed on the West Coast and scored such an immediate success that it was promptly put into national distribution. The combination of new flavors, new packaging—such as the 48-ounce bottled cocktail—and national promotion account for Heublein's increasing consumer appeal as the nation's No. 1 producer of prepared cocktails.

At mid-year, responsibility for Heublein bottled cocktail sales was assigned to the Arrow Liqueurs Co., a Company division, in order to achieve greater national coverage for all products of the liquor marketing divisions.

Some of our greatest gains continue to be made in the international market. Last year the expanded activities of Smirnoff Vodka licensees generated royalties of more than \$900,000. In five years, royalties have increased 160 percent.

The New York State "affirmation" law, which went into effect this year, requires distillers to affirm that the prices they charge in New York are no higher than those anywhere else in the country. The law adversely affected our sales in a few highly-competitive price markets at first but by year's end sales adjusted favorably. We foresee no long-range adverse effect.

This year's report is signed by Ralph A. Hart, formerly president, now chairman of the board and chief executive

officer; John G. Martin, formerly chairman, now chairman of the executive committee; and Stuart D. Watson, formerly executive vice president of Interpublic, Inc., who became president and a member of the board in October, 1966.

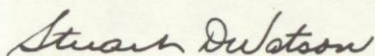
Arthur A. Milligan, formerly president of the Coastal Valley Canning Co., Oxnard, Calif., which was acquired last year, also joined the Heublein board in October.

The board elected Joseph M. McGarry, formerly vice president of the International Minerals & Chemical Corp., as vice president for public relations and Kurt E. Volckmar, formerly European manager, as vice president of the International Division.

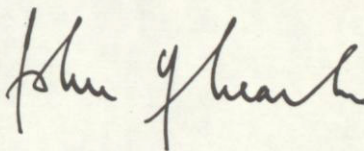
We wish to acknowledge the effective contributions made to the Corporation by Frederick E. Chapman, vice chairman, who, after 35 years of service, retired on March 1, 1967.

While our success has often been related to the outstanding popularity achieved by our major products, this could not have been done without a capable management team. We have taken steps to assure the flow of new talent into our middle and upper management ranks through training and promotion of people in the Company and the selection of outstanding specialized talent from outside.

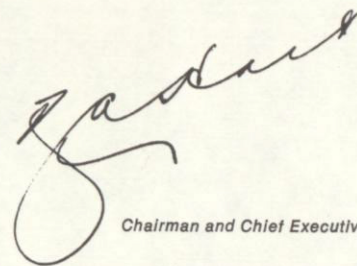
We wish to recognize the men and women of our Company whose devotion, loyalty and service contributed to this year's success and are the foundation on which we build for tomorrow. We are grateful for the support of our shareholders and the effective contributions of our advertising agencies.



President



Chairman of the Executive Committee



Chairman and Chief Executive Officer



Hamm's Beer

Theo. Hamm Brewing Co. this year had the highest sales in its 101-year history and is in eighth place among the nation's top brewing firms. Sales totaled 4,319,000 barrels, up 8 percent from 3,983,000 a year ago.

This increase was accomplished in the central and western states area constituting Hamm's market. Entry into the Detroit market gave Hamm's state-wide distribution in Michigan and sales in the state increased 74 percent. In Missouri sales were up 26 percent; Arizona and Idaho, 24 percent, and California, 7 percent. Oklahoma was included in the list of new markets this year.

New products, new packaging, and extensive advertising, merchandising and sales promotion, combined, gave Hamm's its best sales year. The most successful promotion was the introduction of real draft beer in regular and king-size, seamless, all-aluminum cans. This new product provides the delicate flavor and body of draft beer in a convenience package.

Hamm's Real Draft Beer was also marketed for the first time in a bottle with a twist-off replaceable cap. Hamm's packaged draft beer is non-pasteurized and requires only chilling before serving.

Hamm's also expanded distribution of its two-and-a-quarter-gallon Tapper Keg. Now in nearly all Hamm's markets, the all-aluminum Tapper Keg is an economical and convenient package that is handy for outdoor entertaining

and fits easily into the home refrigerator.

One of the nation's largest sports sponsors, Hamm's provided local and regional radio and television coverage of the Minnesota Twins, the Chicago Cubs and the Chicago White Sox, the Kansas City Athletics and the San Francisco Giants. In football, it sponsored coverage of the Minnesota Vikings, the Green Bay Packers, the NFL Championship, the AFL-NFL Super Bowl and the All-Pro Bowl. Its heavy sportscast schedule also included basketball and participation as a sponsor of ABC's "Wide World of Sports." In the coming year, Hamm's is adding spot radio advertising to its promotions.

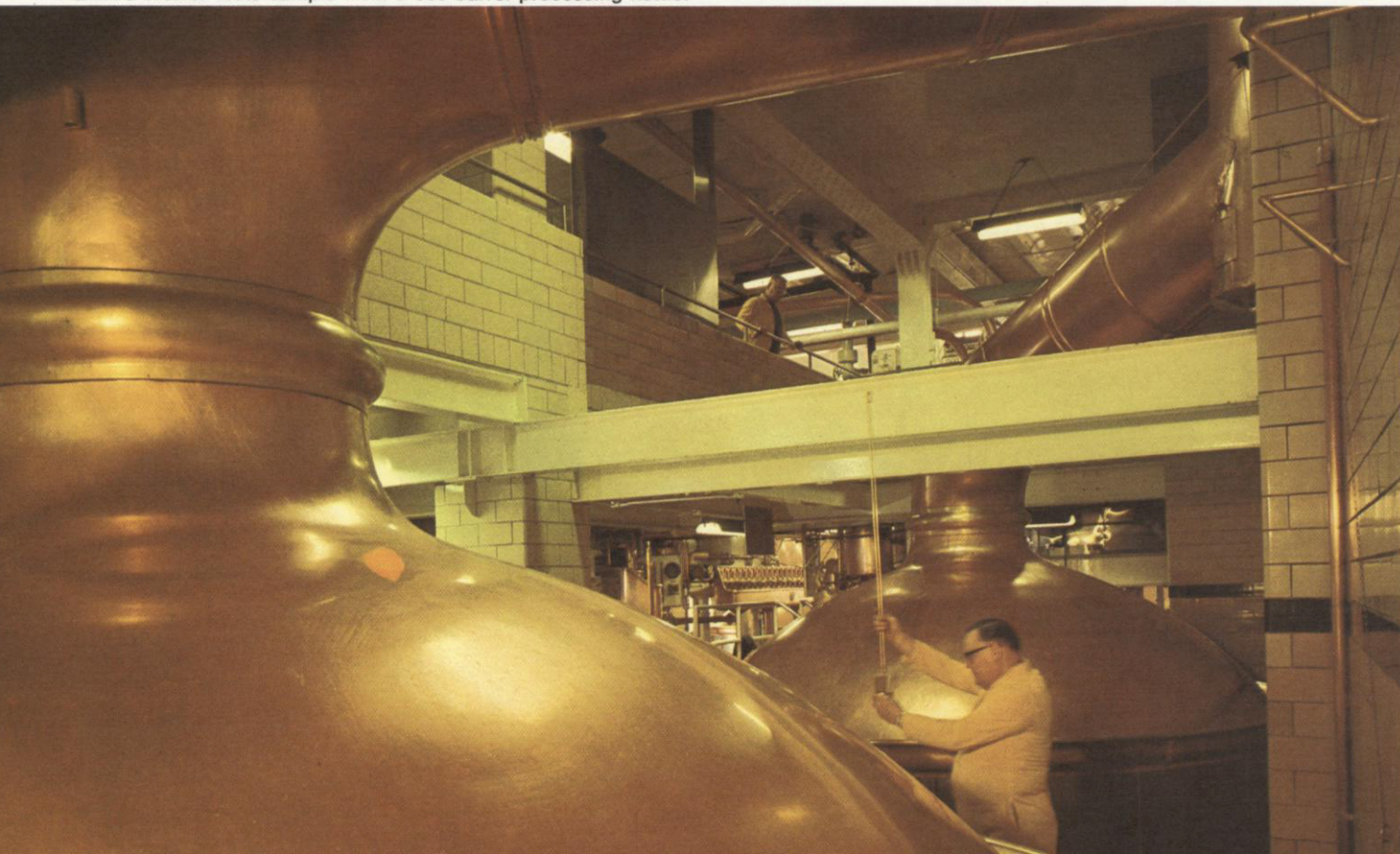
When the Company failed to reach an agreement with owners of the Houston brewery that would provide improvements necessary for continued production of Hamm's quality beer, it decided to phase out production at that plant. Hamm's will supply the Houston area from its expanded Los Angeles brewery and from St. Paul.

Smirnoff Vodka

Smirnoff is now the nation's third most popular selling liquor brand and has shown the largest rate of sales gain of any of the ten top U.S. brands.

Smirnoff sales were up 8 percent compared to an estimated industry increase of 5 percent for all distilled spirits sales. Smirnoff and other Heublein vodkas account for approximately 33 percent of all vodka sold in the United States.

Hamm's brewer tests sample from a 500-barrel processing kettle.



Perhaps the impressive growth of Smirnoff, over the past 20 years, is best shown by the dramatic increase revealed in a recent industry survey showing annual sales of 2,850,000 cases. In its first years on the market case sales totaled 6,000.

Smirnoff owes much of its popularity to its versatility in making a wide array of mixed drinks. Better than most spirits, it fits the popular trend toward lighter and smoother drinks. Smirnoff's advertising, merchandising and promotion exceeded \$8 million this year and reportedly has the second largest marketing program of any brand.

The popularizing of new drinks, such as the Mule, the Screwdriver, the Bloody Mary, the Gimlet, the Vodka Martini and this year's introduction, the Smirnoff Skyball, are all attributable to Smirnoff. There is a growing demand for light and fashionable drinks as an outgrowth of the expanding social life in the United States. Smirnoff is serving this demand with new drinks, such as the Smirnoff Skyball which was introduced this Spring with an intensive campaign of advertising, sales promotion, merchandising and publicity. Capitalizing on the popular interest in space flight, the campaign featured advertising in magazines and, for the first time, on Railway Express Agency trucks. It showed Smirnoff people and an astronaut afloat in space, signifying the lightness of the new Smirnoff and tonic drink.

A publicity campaign was built around a racing balloon which carried the name, Smirnoff Skyball, aloft before

250,000 spectators at the annual hot air balloon race held during the Indianapolis 500 Festival. Pictures and news reports of the Smirnoff Skyball winning the race appeared nationally in newspapers, on television and radio. Thousands of persons responded to a nationwide prize contest to pick the winner and estimate the distance covered by its flight.

In another major spectator event, the Smirnoff entry won the National Air Races at Reno, Nev., for the second time. Exposure of Smirnoff in this way keeps the name prominently displayed before a growing young adult market.

Smirnoff, unequalled as a quality liquor, is smooth and free of any lingering taste or aroma, which makes it highly versatile in its use. It also fits well a trend in the United States toward the light taste in foods and beverages.

Other factors contributing to Smirnoff's impressive sales growth are the mounting supermarket liquor sales and the increasing influence of women, especially young adult women, in liquor purchases. Women reportedly now represent 44 out of every 100 liquor store customers.

Heublein is credited with introducing and popularizing vodka in the United States. In addition to Smirnoff, there have been impressive gains in the marketing of Heublein's Relska, Popov and Arrow vodkas. These four brands give the Company entry into different price categories of the market. The sales gains of Relska, Popov and Arrow exceeded that of all vodkas, as a category. The combination of Smirnoff and the lower-price brands gives the Heublein wholesaler

Smirnoff, the world's largest selling vodka, is produced at Hartford, Conn., Allen Park, Mich., Menlo Park, Calif., and by licensees overseas.





a strong vodka line.

The social and economic developments that have popularized the white spirits, notably vodka and gin, prompted the acquisition of exclusive United States rights to Jose Cuervo, S.A., in 1966. Jose Cuervo is the world's largest selling brand of tequila. A sizable budget was put behind its national promotion this year and sales showed an increase. Steady sales gains were registered in the western part of the United States where distribution is strong and an encouraging response was received in new markets.

Cocktails, Cordials, Imported Whiskies

Sales of Heublein prepared cocktails this year were twice those of any other brand and the market is steadily expanding. New cocktail flavors, convenience packaging, heavier promotion and an increased sales force underlie the success of Heublein's marketing strategy.

The transfer of Heublein full-strength cocktails to the sales organization of the Arrow Division strengthened the Division and opened new markets to the broad line of Arrow-brand cordials, flavored brandies and other specialties. The Heublein Liquor Marketing Division, previously responsible for sales of full-strength cocktails, can now concentrate on the marketing of Smirnoff and the Division's other liquor brands.

The idea of a new full-flavored cocktail, with a low alcoholic content between that of the Heublein full-strength

cocktail and beer, and packaged in a can was developed exclusively by Heublein and introduced for the first time under the brand name, "Club Cocktail." It gained immediate consumer acceptance in the four states selected for introductory tests. Increased promotion over a broader market is planned in the coming year. Easily shelf-stacked for in-store display, convenient to carry, it fits the needs of a highly mobile population with more leisure time for outdoor living.

Young adults, increasing in number in our population, have shown a preference for the quality, convenience and economy of pre-mixed drinks. To reach women in this group, more advertising has been directed toward women's magazines.

Heublein is the leading marketer of distilled spirits to the airlines. This select market is an indicator of the consumer acceptance of new flavors. Three new cocktails were bottled for in-flight service on major airlines this year—the Yellowbird for Northeast Airlines, the Pisco Sour for Braniff International Airways and the Star-Stream Tiki for TWA.

A packaging innovation introduced this year was the 48-ounce, party-size bottled cocktail.

The Company has completed a motion picture film for use by the airlines in training stewardesses on the various types of alcoholic beverages, their distinctions and the proper way to serve them.

Another gain accruing from combining the Heublein Cocktail and Arrow Division sales staffs is the 12 percent

Vermouth vats at Hartford handle 250,000 gallons annually.



increase recorded in cordial sales this year.

Heublein's full line of alcoholic beverages includes well-known whiskey imports. The distribution of McMaster's and Black Velvet Canadian whiskeys was extended into new markets during the year and their sales gains were greater than that of all Canadian whiskeys on the U.S. market. Canadian whiskey is the only distilled spirit that showed greater rate of growth than vodka during the year. Even though Heublein made substantial investment in inventories, the demand for its Canadian whiskeys outstripped supply which was allocated during the year.

The U.S. market for Scotch experienced a slower rate of sales this fiscal year and Heublein's imported Bell's and McMaster's brands reflected this in a leveling off of their sales.

Sales of another import, Irish Mist, Ireland's legendary liqueur, were up considerably in a market that is growing. Added national advertising and creative promotion contributed to this sales increase.

Food Specialties

The Food Division made a substantial contribution to corporate sales and earnings.

A.1. Sauce, its leading product and the nation's best selling specialty meat sauce, increased its sales and rate of sales gains during the year. Meat sauce is one of the strongest of all food product categories and A.1. continues to

increase its share of the market. Its sales have increased 81 percent in the last five years. This is the result of more aggressive advertising, merchandising and promotion, which is extending the use of the product and emphasizing A.1.'s versatility as a pour-on and as a recipe ingredient with meat, fish and poultry dishes. An increased amount of advertising and promotion will be put behind the product next year.

Escoffier Sauces, Robert and Diable, and Grey-Poupon Dijon Mustard have met with growing consumer demand in urban areas where gourmet foods are popular, such as New York, San Francisco, Seattle, Boston, Chicago, Los Angeles and Miami. While their gains are from a relatively low base, these are unique quality products and have growing appeal in the changing food market. In June, the Company acquired U.S. rights to Grey-Poupon Dijon Mustard which it previously distributed under license. Increased advertising and promotion are planned for this product in the new fiscal year.

The Maypo and Maltex cereal line and its Burlington, Vt., plant were sold in May to the Standard Milling Co. of Kansas City, Mo. This change was made in accordance with plans to put greater emphasis on the development and marketing of specialty food products with a volume sufficient to sell through broker-warehouse organizations.

Coastal Valley Canning Co., acquired by Heublein in June, 1966, and now part of the Food Division, had increased sales led by Snap-E-Tom Tomato Cocktail, whose sales were up 60 percent over the previous year. Market acceptance for

Mixing vats and glass-lined cookers used in the production of A.1. Sauce were increased to handle greater sales volume.





this product, as a juice and as a mix with Smirnoff for the Bloody Mary, is growing fastest in the Southwest and West, including California, Arizona, Colorado, New Mexico, Texas and Oklahoma. Snap-E-Tom has only partial distribution in the East but consumer acceptance there is growing.

Snap-E-Tom's growth reflects the interest of an expanding segment of the consumer market which seeks new tastes in food and beverages. In an effort to expand consumer acquaintance with the product, it was introduced in mealtime service aboard several major airlines.

Heavy sales promotion and advertising expenditures helped boost Snap-E-Tom sales. Network, color and spot television advertising, as well as impressive newspaper and magazine advertising tie-ins with Smirnoff, were used throughout the year.

While other products in the Coastal Valley line, principally those under the Ortega label, showed but a four percent sales increase for the year, major moves have been made to accelerate their sales performance. Ortega product sales were restricted by a short California pimiento crop but sales of sauce and chili products were up.

The Ortega label has been redesigned to establish a family of products under one identification. This identity is emphasized in all graphic arts elements of marketing, promotion and advertising, scheduled to appear in the coming year.

Ortega sauce and chili products are, for the first time, receiving major advertising support stressing suggestions

for meals and snacktime use. This reflects the growing consumer awareness of Mexican-style cookery in the U.S.

Imported Wines

Heublein is the largest U.S. importer of wines. This part of the business has grown rapidly and now accounts for an important share of total sales and earnings.

Because of this rapid growth and to capitalize on the opportunities for further growth, Heublein is expanding the sales force covering this market and is giving its top brands special attention. Sales of Lancers and Harvey's Bristol Cream will be headed by a brand manager, the same as other top brands. Other imported table wines will be sold by the Vintage Wine Co., a Heublein division.

Lancers Vin Rose, owned by Heublein since 1965, has increased its sales more than 50 percent since then and is now the largest selling imported wine in the United States. Last year, sales were up significantly. A new marketing program will feature Lancers on television, radio and in print in the coming year.

Produced in Portugal, this light, bubbling wine has many of the qualities and the appeal of champagne. Easily identified by its unique crock container, it has become a demand item in almost all restaurants and hotels and can be found on more wine lists than any other imported or domestic wine.

One of the most prestigious of all internationally-known wines is Harvey's Bristol Cream Sherry. Since Heublein

Arrow Cordials and Liqueurs come in 35 flavors.



Lancers Vin Rose is the leading imported wine in the U.S.



became its sole U.S. distributor in 1957, it has had significant share-of-market gains. Last year it achieved the largest sales gain in the brand's history.

Harvey's full line of ten sherries and ports is carried in many liquor stores because they are a call item. Their national sales are equal to more than one-third of the total imported sherry market in the United States.

Heublein's total marketing concept for a specialty item is well illustrated in the case of the Harvey's line. Advertising and promotion expenditures on Harvey's Bristol Cream have been increased to the point where they are now greater than those for all other imported sherries in this country. Harvey's Bristol Cream was the first quality sherry to be advertised on U.S. television and will be widely featured on this medium in the coming year.

Expansion of the sales staff of Vintage Wine Co. was virtually complete by June 30 this year, and sales of its European table wines, including the Bertani line from Italy and other imported specialties, increased over the previous year. These gains occurred chiefly in the major markets of New York, Chicago and California.

The increasing popularity of table wines in the U.S., and their more frequent use on occasions of entertainment are clearly reflected in the increasing purchase and serving of wine by women. These factors point toward the continued growth of the fine wine market in the United States. In expectation of this, the Vintage Wine Co. is planning a more

extensive merchandising and sales program in the coming year to increase its share of the market.

International Marketing

Smirnoff licensees around the world sold more than 1,000,000 cases of Smirnoff Vodka this fiscal year. Outstanding gains were made in Canada, where sales were up 25 percent over 1966, and in Ireland and South Africa, where sales were up 50 percent, respectively.

Sales of Heublein export products, principally Smirnoff, continued strong in foreign markets not covered by licensees.

An expanded marketing program was instituted this year to increase overseas sales of Lancers Vin Rose and Jose Cuervo Tequila. Carib Cup, a rum-based liqueur, developed by the International Division, is currently being introduced in selected markets, with all signs pointing to its success.

A Heublein subsidiary in the Bahamas sells Smirnoff, Popov and Heublein Cocktails in the Caribbean area and to the U.S. duty-free trade. Its sales, though small, are beyond initial expectations.

Licensees produce Smirnoff Vodka with Heublein equipment and specially-prepared filter charcoal, which is shipped from the Hartford plant to points all over the world. This and quality control procedures conducted at Hartford ensure a universal standard. Packaging and marketing are also closely supervised to maintain Smirnoff's distinct identity.

International advertising and merchandising are actively

A.1. is the nation's No. 1 specialty meat sauce.



Heublein Cocktails sales are twice those of any other brand.





supported by Heublein, and a flow of information to licensees is maintained to keep them current on U.S. advertising, merchandising and promotions. One notable result of this is that campaigns for two popular U.S. drinks, the Smirnoff Mule and the Screwdriver, are meeting with success overseas.

Advertising and Promotion

The Company's greatest single expenditure for the year was the \$36,512,000 invested in advertising, merchandising and sales promotion. The creative and effective use of the total marketing expenditure resulted in expanded activities at slightly lower over-all costs. The advertising expenditure, up \$1,208,000 over last year, was used with multiple effect across the product line.

Heublein is the nation's fifth largest user of locally-edited Sunday newspaper magazines; sixth among national outdoor advertisers; 15th in use of newspaper advertising space and one of the top national users of magazine advertising.

This year Heublein became the first distiller to use advertising on Railway Express Agency trucks on an exclusive basis. More than 4,700 REA trucks traveling in 37 states displayed high-visibility posters featuring Heublein products.

Smirnoff licensees in other countries also increased their advertising budgets for four-color magazine ads, particularly in Germany, England and Spain. In Australia, television is used effectively in addition to print media. In South American countries, outdoor billboards are used extensively, while in South Africa, the emphasis is on newspaper advertising.

Heublein People

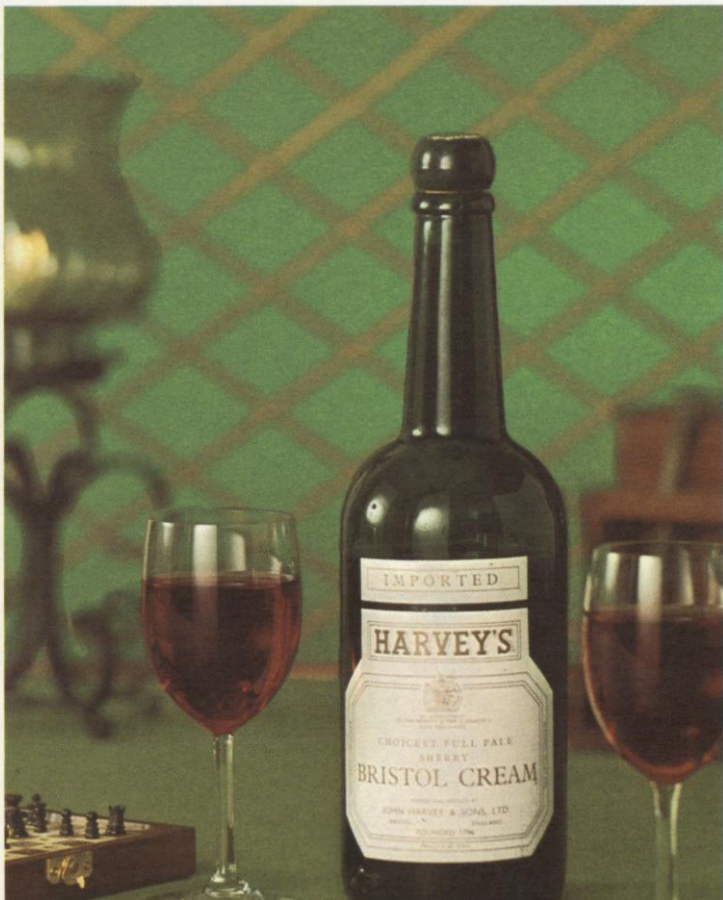
The Company continues to build its professional management team in depth. It is experiencing gratifying results from its program for organization and management development. The recruiting and training of young college graduates, initiated in 1962, was stepped up to meet present and future growth needs. This year a number of employees who joined the Company in the beginning of the program were moved into middle management positions in administration, brand management, domestic and export sales and sales management.

The growth of the Arrow Division during the past year was responsible for an unusual number of promotions. At the same time, hiring of outstanding special talent from outside was greater because of expansion of all divisions.

Ortega sauces and chiles add meal and snacktime flavor.



TV helps make Harvey's the nation's best selling imported sherry.





CONSOLIDATED STATEMENT OF INCOME

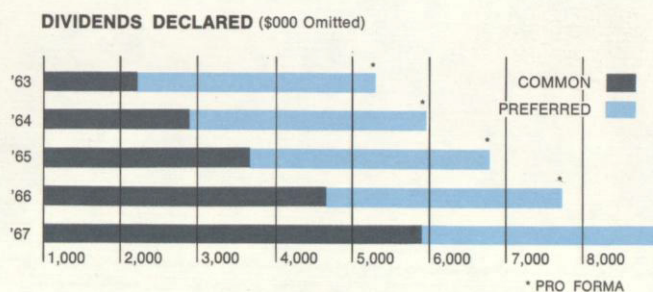
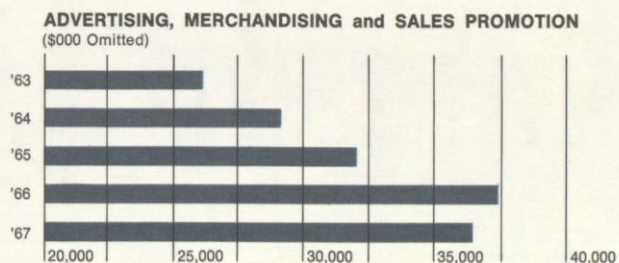
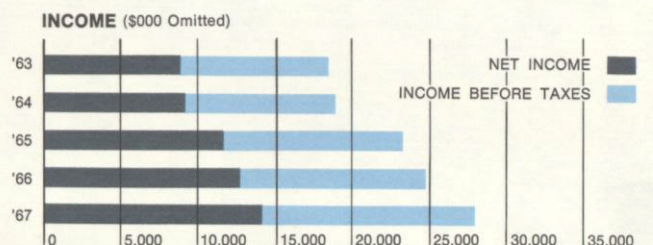
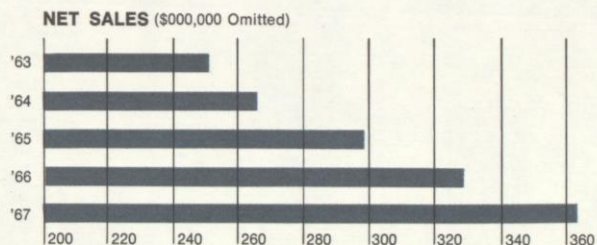
Years ended June 30, 1966 and 1967

1966*	1967	
\$328,319,000	\$362,847,000	Net sales
245,662,000	277,815,000	Cost of sales
<u>82,657,000</u>	<u>85,032,000</u>	Gross profit
		Expenses:
50,349,000	50,297,000	Selling and advertising
7,914,000	7,324,000	Administrative and general
<u>58,263,000</u>	<u>57,621,000</u>	
<u>24,394,000</u>	<u>27,411,000</u>	
		Other income (deductions):
275,000	317,000	Interest income
(503,000)	(381,000)	Interest expense
<u>664,000</u>	<u>578,000</u>	Miscellaneous—net
<u>436,000</u>	<u>514,000</u>	
<u>24,830,000</u>	<u>27,925,000</u>	Income before provision for income taxes
		Provision for income taxes:
1,057,000	1,090,000	State
<u>11,005,000</u>	<u>12,700,000</u>	Federal (Note 1)
<u>12,062,000</u>	<u>13,790,000</u>	
<u>\$ 12,768,000</u>	<u>\$ 14,135,000</u>	Net income (Note 1)
<u>\$1.90</u>	<u>\$2.15</u>	Earnings per share of common stock

*1966 figures have been restated to conform to 1967 classifications.

See accompanying notes.

CORPORATE GROWTH — FIVE YEAR REVIEW





CONSOLIDATED BALANCE SHEET

ASSETS

1966	1967	
		Current assets:
\$ 6,246,000	\$ 5,621,000	Cash
2,386,000	1,778,000	U.S. Treasury bills, at cost (approximately market)
35,966,000	40,870,000	Accounts and notes receivable, less allowance for doubtful accounts
		Inventories, at lower of cost (first-in, first-out) or market:
11,590,000	14,563,000	Finished products
2,886,000	2,697,000	Products in process
10,385,000	14,590,000	Raw materials
24,861,000	31,850,000	Total inventory
1,272,000	1,134,000	Prepaid expenses
70,731,000	81,253,000	Total current assets
		Property, plant and equipment, at cost:
2,842,000	2,730,000	Land
39,864,000	42,049,000	Buildings
52,752,000	54,018,000	Machinery and equipment
95,458,000	98,797,000	
56,194,000	58,878,000	Less accumulated depreciation
39,264,000	39,919,000	Net Property, plant and equipment
2,549,000	2,648,000	Other assets
2,316,000	2,092,000	Trademarks and contracts, at cost less amortization
3,208,000	3,018,000	Goodwill, at cost less amortization
<u>\$118,068,000</u>	<u>\$128,930,000</u>	

June 30, 1966 and 1967

LIABILITIES AND STOCKHOLDERS' EQUITY

1966	1967	
\$ 18,901,000	\$ 20,880,000	Current liabilities:
6,953,000	7,464,000	Accounts payable and accrued expenses
12,707,000	16,122,000	Taxes:
1,978,000	2,309,000	Federal and state taxes on income
1,403,000	—	Other
41,942,000	46,775,000	Cash dividends payable
309,000	194,000	Long-term debt due within one year
		Total current liabilities
		Deferred federal income tax relating to accelerated depreciation used for income tax purposes
		Stockholders' equity:
		Preferred stock—par value \$100 per share (Note 2):
		5% preferred—500,000 shares authorized
40,974,000	40,754,000	Issued—420,032 shares, less 12,491 shares in treasury (10,290 in 1966)
		5% convertible preferred—200,500 shares authorized
20,003,000	19,981,000	Issued—200,031 shares, less 218 shares in treasury in 1967
		Common stock—par value \$1 per share (Notes 2 and 3):
		Authorized—10,000,000 shares
5,109,000	5,168,000	Issued—5,168,106 shares (5,109,234 in 1966)
1,326,000	2,460,000	Paid-in surplus
8,478,000	13,671,000	Earned surplus
75,890,000	82,034,000	
73,000	73,000	Less cost of 2,094 shares of common stock in treasury
75,817,000	81,961,000	Total stockholders' equity
<u>\$118,068,000</u>	<u>\$128,930,000</u>	

See accompanying notes.



CONSOLIDATED STATEMENT OF PAID-IN SURPLUS

Years ended June 30, 1966 and 1967

1966	1967	
\$ —	\$1,326,000	Balance at beginning of year
1,301,000	1,134,000	Excess of option price over par value of common stock issued on exercise of options
25,000	—	Excess of par value over cost of 5% preferred stock purchases
<u>\$1,326,000</u>	<u>\$2,460,000</u>	Balance at end of year

CONSOLIDATED STATEMENT OF EARNED SURPLUS

Years ended June 30, 1966 and 1967

1966	1967	
\$ 4,471,000	\$ 8,478,000	Balance at beginning of year
12,768,000	14,135,000	Net income
		Cash dividends declared:
(1,783,000)	(3,043,000)	5% preferred stock
(4,653,000)	(5,899,000)	Common stock—\$1.15 per share in 1967 (\$.95 in 1966)
(2,325,000)	—	Theo. Hamm Brewing Co. dividends prior to merger
<u>\$ 8,478,000</u>	<u>\$13,671,000</u>	Balance at end of year

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — INVESTMENT CREDIT

In prior years the full amount of the investment credit was deducted from the provision for Federal income tax in the year the credit was claimed for tax purposes. In view of the disproportionate increase in fiscal year 1967 in capital assets placed in service, which determines the amount of investment credit, the Company reconsidered its policy of accounting for the investment credit and adopted the policy of amortizing the credit over a period of five years. As a result of this change, the provision for Federal income tax was reduced by approximately \$81,000 for the year ended June 30, 1967 (\$401,000 in 1966) applicable to investment credit net of recapture on early retirements and disposals. Net income for fiscal year 1967 is approximately \$555,000 (\$.11 per common share) less than under the previous method.

Note 2 — PREFERRED STOCK

Under sinking fund provisions, the Company is required to redeem 4% of the aggregate value of the originally issued 5% preferred stock on December 30 in each year from 1971 to 1995 at \$100 per share. The 5% convertible preferred stock is convertible into common stock at the rate of three shares of common stock for each share of preferred stock. At June 30, 1967, there were 599,439 shares of unissued common stock reserved for conversion of the outstanding 5% convertible preferred stock. Conversion of the outstanding 5% convertible preferred stock would not materially affect earnings per common share for fiscal year 1967. Both classes of preferred stock are subject to redemption in whole or in part at the

option of the Company in the year beginning December 31, 1970 at \$105 per share and at \$1 less per share each year thereafter but not less than \$100 per share after December 31, 1975.

Note 3 — STOCK OPTIONS

Under the Company's "Restricted Stock Option Plan" options for the purchase of 40,297 shares of common stock were outstanding at June 30, 1967 (87,669 a year earlier) at prices ranging from \$18.47 to \$19.00 per share and averaging \$18.77 per share (of which options relating to 29,297 shares at prices ranging from \$18.47 to \$19.00 per share were exercisable). During the fiscal year 1967, options for the purchase of 47,372 shares were exercised at an average price of \$18.78 per share. No further options can be granted under this plan.

Under the Company's "Qualified Stock Option Plan" options for the purchase of 122,500 shares of common stock were outstanding at June 30, 1967 (73,500 a year earlier) at prices ranging from \$25.56 to \$52.38 per share and averaging \$31.08 per share (of which options relating to 38,000 shares at \$26.38 per share were exercisable). During the fiscal year 1967 options were granted for the purchase of 64,500 shares at prices ranging from \$29.94 to \$52.38 per share and averaging \$34.48 per share. Options for the purchase of 11,500 shares were exercised at a price of \$26.38 per share and options for the purchase of 4,000 shares were terminated. At June 30, 1967 there were 366,000 shares available for future grant (426,500 a year earlier).



CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

Years ended June 30, 1966 and 1967

1966	1967	
		SOURCES
		Operations:
\$12,768,000	\$14,135,000	Net income
		Charges not requiring funds:
5,951,000	7,704,000	Depreciation and amortization
56,000	587,000	Other
18,775,000	22,426,000	Funds provided from operations
1,372,000	1,193,000	Sale of common stock
4,470,000	—	Sale of other assets of merged company
<u>\$24,617,000</u>	<u>\$23,619,000</u>	
		USES
\$ 8,761,000	\$ 8,942,000	Cash dividends (including dividends of merged companies)
1,077,000	242,000	Purchase of treasury stock
9,451,000	8,671,000	Additions to property, plant and equipment
24,000	68,000	Additions to trademarks and contracts
2,803,000	—	Reduction of long-term debt
1,185,000	—	Purchase of remaining interest of affiliated company
5,000	7,000	Other
1,311,000	5,689,000	Increase in working capital
<u>\$24,617,000</u>	<u>\$23,619,000</u>	

See accompanying notes.

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
Heublein, Inc.

We have examined the accompanying consolidated balance sheet of Heublein, Inc. and subsidiaries at June 30, 1967 and the related consolidated statements of income, paid-in surplus and earned surplus and source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Heublein, Inc. and subsidiaries at June 30, 1967, the consolidated results of their operations and the source and use of their consolidated funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY

New York, N.Y.
July 21, 1967



COMPARISON WITH PRIOR YEARS

	1967	1966	1965	1964	1963
<i>Dollars in thousands except per share statistics</i>					
Net sales	\$362,847	\$328,319	\$298,442	\$265,553	\$250,720
Net income	14,135	12,768	11,638	9,160	8,779
Net income as a percent of sales	3.90%	3.89%	3.90%	3.45%	3.50%
Advertising, merchandising and sales promotion	36,512	37,443	32,069	29,183	26,132
Taxes of all kinds	170,481	162,287	144,566	125,477	119,353
<i>Dividends:</i>					
Preferred requirements	3,043	3,075	3,100	3,100	3,100
Common	5,899	4,653	3,672	2,893	2,201
Earnings retained in the business	5,194	5,040	4,866	3,167	3,478
Depreciation	7,223	5,509	5,235	5,614	6,550
Capital expenditures	8,671	9,451	5,183	3,843	4,547
Net fixed assets	39,919	39,264	34,760	35,056	37,286
Working capital	34,478	28,789	27,478	21,088	20,326
Current asset ratio	1.7 to 1	1.7 to 1	1.8 to 1	1.6 to 1	1.5 to 1
Preferred stock	60,735	60,977	62,006	62,006	62,006
<i>Per common share:</i>					
Net income	2.15	1.90	1.69	1.23	1.16
Dividends declared	1.15	.95	.75	.60	.45
Income taxes	2.67	2.36	2.30	1.98	1.96
All taxes	33.00	31.78	28.70	25.55	24.31
<i>Number:</i>					
Employees	3,458	3,320	3,243	3,226	3,202
Common stockholders	12,192	13,232	13,606	11,440	11,647
Common shares	5,166,012	5,107,140	5,037,754	4,910,561	4,908,750
Preferred shares	607,354	609,773	620,063	620,063	620,063

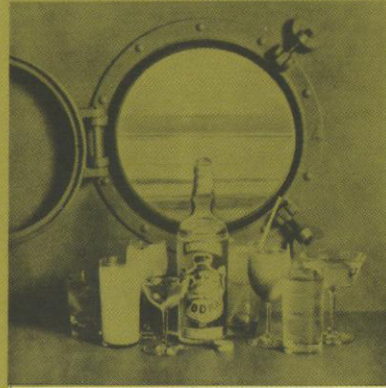
The above statistical summary includes, in all years, amounts applicable to Theo. Hamm Brewing Co. and Coastal Valley Canning Co. acquired in fiscal year 1966 in transactions treated for accounting purposes as poolings of interests.

HEUBLEIN'S PRINCIPAL OFFICES AND PLANTS

HEUBLEIN, INC. Offices: Corporate Headquarters, 330 New Park Ave., Hartford, Conn. 06101 Code 203 233-4461 • Eastern Regional Liquor Sales Office, 3 East 54th St., New York, N.Y. 10022 Code 212 755-2300 • Central Regional Liquor Sales Office, 2720 Des Plaines Ave., Des Plaines, Ill. 60018 Code 312 299-6146 • Southern Regional Liquor Sales Office, Bayside Building—Suite 505, 2909 Bay to Bay Dr., Tampa, Fla., Code 813 839-6333 • Southwest Regional Liquor Sales Office, 511 Casa Linda Plaza, Dallas, Tex. 75218 Code 214 321-6485 • Western Regional Liquor Sales Office, 2060 East 49th St., Los Angeles, Calif. 90058 Code 213 587-3196 • Eastern Divisional Food Sales Office, Box 240, Madison, N.J., Code 201 377-9464 • Western Divisional Food Sales Office, c/o Coastal Valley Canning Co., Box 1384, Oxnard, Calif. 93030 Code 805 483-2377 • **Plants:** 330 New Park Ave., Hartford, Conn. 06101 Code 203 233-4461 • 2500 Enterprise Dr., Allen Park, Mich. 48101 Code 313 271-3100 • 151 Commonwealth Dr., Menlo Park, Calif. 94025 Code 415 324-2751 • **THEO. HAMM BREWING CO. Offices:** Headquarters, 720 Payne Ave., St. Paul, Minn. 55101 Code 612 776-1561 • 2720 Des Plaines Ave., Des Plaines, Ill. 60018 Code 312 299-6141 • 5303 Polk Ave., Houston, Tex. 77203 Code 713 WA 1-2171 • **Breweries:** 720 Payne Ave., St. Paul, Minn. 55101 Code 612 776-1561 • 2080 East 49th St., Los Angeles, Calif. 90058 Code 213 589-6666 • 1550 Bryant St., San Francisco, Calif. 94103 Code 415 626-1500 • **ARROW LIQUEURS CO. Offices:** Headquarters, 330 New Park Ave., Hartford, Conn. 06101 Code 203 233-4461 • Eastern Regional Sales Office, 3 East 54th St., New York, N.Y. 10022 Code 212 755-2300 • Central Regional Sales Office, 2720 Des Plaines Ave., Des Plaines, Ill. 60018 Code 312 299-6141 • Southern Regional Sales Office, Bayside Building—Suite 505, 2909 Bay to Bay Dr., Tampa, Fla., Code 813 839-6485 • Southwest Regional Sales Office, 511 Casa Linda Plaza, Dallas, Tex. 75218 Code 214 321-6485 • Western Regional Sales Office, 2060 East 49th St., Los Angeles, Calif. 90058 Code 213 587-3196 • **VINTAGE WINES CO. Office:** Headquarters and Eastern Regional Sales Office, 3 East 54th St., New York, N.Y. 10022 Code 212 755-2300 • **COASTAL VALLEY CANNING CO. Office:** Headquarters, 330 New Park Ave., Hartford, Conn. 06101 Code 203 233-4461 • **Plants:** Box 1348, Oxnard, Calif. 93030 Code 805 483-2377 • Bisbee Douglas International Airport, Douglas, Ariz. 85607



UNITED KINGDOM



RINNOVATE IL VOSTRO REPERTORIO DI BEVANDE
 Entrate nel fantastico regno di Smirnoff alla scoperta di una gamma di aromi, di fragranze nuove che solo la Vodka sa dare. Assaporate con i vostri amici le "sensazioni" a base di Vodka e note di arancia di "Bloody Mary", con note di pamboli e di altri, miscelate la Vodka con acqua tiepida. Conosci il vero gusto di frutta e sole.

Smirnoff
 La Vodka che ha conquistato l'America



AUSTRALIA



Mal vom nächsten Sommer naschen...
 Smirnoff-Orange:
 fruchtig, frisch, vitaminbeladen.

Die Geschmackswelt
 bietet heute für den guten Geschmack
 viel mehr als nur einen Smirnoff per se.
 Das Vitamin
 bietet heute für einen Smirnoff per se
 viel mehr als nur einen Smirnoff per se.

In Smirnoff-Orange
 bietet heute für den guten Geschmack
 viel mehr als nur einen Smirnoff per se.
 Das Vitamin
 bietet heute für einen Smirnoff per se
 viel mehr als nur einen Smirnoff per se.

Smirnoff
 vodka



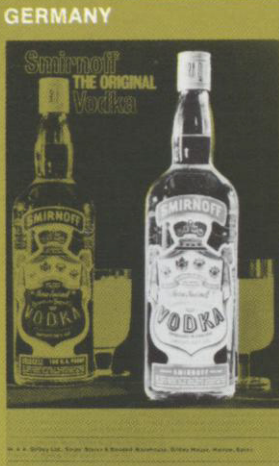
VOS INVITES SE RONT ENTRE CIEL ET TERRE AVEC SMIRNOFF

CANADA

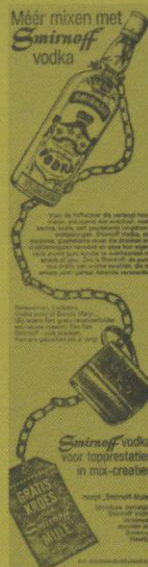


MET SMIRNOFF VODKA EEN WERELD VAN NIEUWE MIX-MOGELIJKHEDEN

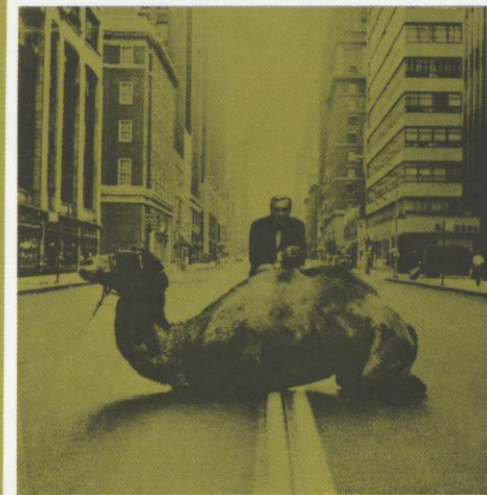
HOLLAND



UNITED KINGDOM



HOLLAND



CANADA

J'IRAIS LOIN POUR BOIRE UN MARTINI SMIRNOFF

La révolution Martini continue: toujours au même rythme. Le plaisir des moments des soirées seules qui préparent les Martini avec Smirnoff va toujours croissant. Car Smirnoff est filtré au travers de 50.000 litres de charbon de bois actif, ce qui vous donne un Martini plus sec. Des millions d'amateurs de Martini se sont déjà aperçus de cela. Faites de même?



Demandez toujours la
Smirnoff
 vodka
 discrète au goût - discrète à l'odorat



Impresione a todos, tome Vodka Smirnoff. Smirnoff es suave, es puro, es refinado, es diferente, se mezcla con todo. Tome Smirnoff con refresco de cola, de toronja, con agua mineral... ¡con champagne! ¡Con lo que quiera! ¡Impresione a todos!

i Impresione! Tome VODKA
Smirnoff
 La bebida de las mil combinaciones.

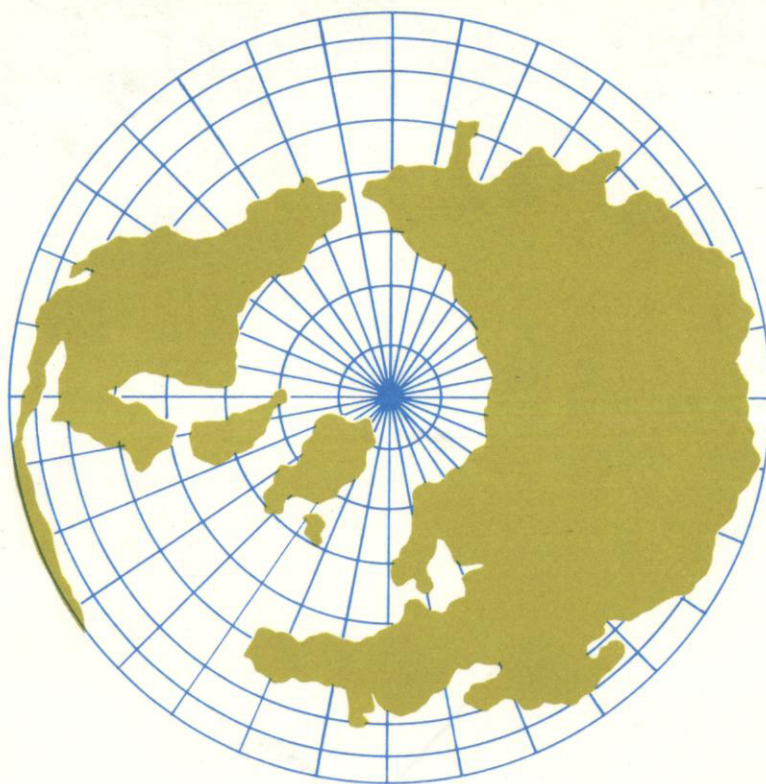
MEXICO



UNITED KINGDOM



JAPAN



LIQUORS—Smirnoff Vodka • Relska Vodka • Popov Vodka • Milshire Charcoal Filtered Gin • Bell's Scotch • Black Velvet Canadian Whisky • Jose Cuervo Tequila • Matador Tequila • Irish Mist Liqueur • Heublein Bottled Cocktails—Manhattan, Extra Dry Martini, Daiquiri, Whiskey Sour, Margarita, Vodka Martini, Old Fashioned, Side Car, Stinger, Vodka Sour, Vodka Gimlet, 11-to-1 Vodka Martini, 11-to-1 Gin Martini, Scotch Mist and Tequila Sour • Arrow Flavored Brandies—Blackberry, Apricot, Wild Cherry, Peach, Coffee, Ginger, and Old Fashioned Ginger • Arrow Cordials—Green Creme de Menthe, White Creme de Menthe, Brown Creme de Cacao, White Creme de Cacao, Creme de Almond, Triple Sec, Sloe Gin, Anisette, Rock & Rye with Fruit, Peppermint Schnapps, Kummel, Kirsch, Curacao, Anesone, Liqueur de Abbey, Wisniowka, and Ouzo • Arrow Bitters—Mallort, Boonekamp, Pelinkovac, and Cocktail • Arrow Flavored Gins—Mint, Orange, and Lemon • Arrow Flavored Vodkas—Orange, Peppermint, Lime, Cherry, and Grape • Arrow Vodka • Bisquit Cognacs—St. Martial, V.S.O.P., Extra, and Napoleon • Felipe II Spanish Brandy • Vieille Cure French Liqueurs • Jourde French Cordial Medoc • Hungarian Liqueurs—Baracklikor, Barack Palinka, Czasakorte, and Beverage Bitters • Imported Slivovitz—Hungarian and Serbian • Imported English Gin—Christy & Brooks London Dry Gin • Koskorva Imported Finnish Vodka • Tullamore Dew Irish Whiskey • McMaster's Scotch • McMaster's Canadian • J. & G. Grant's Glenfarclas—Glenlivet • Heublein Vermouth—Sweet and Dry • Club Cocktails—Martini, Manhattan, Daiquiri, Screwdriver, Whiskey Sour • Heublein Banquet Cocktails

BEER—Hamm's Beer, Waldech Beer, Buckhorn Beer

WINES—French Champagne—Montebello, Louis Royer, and Napoleon • Harvey's Selection Table Wines—Chateau Bottled Bordeaux, Estate Bottled Burgundy, Estate Bottled Rhone Valley, Estate Bottled Anjou Rose, Rhine, and Moselle • Valle Freres French Table Wines—Bordeaux, Burgundy, Bergerac, Anjou Rose, and Vouvray • Chateau Bottled Bordeaux Table Wines—Chateau St. Georges de St. Emilion, Chateau Bouscalt de Graves, and Chateau Latour de Pauillac • Bouchard Pere & Fils Burgundy Table Wines—Beaujolais Superieur, Pommard, Le Corton, Chambertin, Richbourg, Pouilly-Fuisse, Chablis Premier Cru, and Montrachet • Paul Jaboulet Aine Rhone Table Wines—Hermitage "La Chapelle", Chateauf-neuf-du-Pape "Les Cedres", and Tavel Vin Rose • Provence Rose Table Wine—Chateau Bottled Domaine de Vannieres • Rheinhof German Table Wines—May Wine, Liebfraumilch, Moselbluemchen, and Zeller Schwarze Katz • Bertani Verona Italian Table Wines—Bardolino, Valpolicella, Bertarose, Soave, and Recioto • Ancilli Chianti Classico Italian Table Wine • Bigi Italian Table Wines—Orvieto, Est! Est! Est! • Hungarian Table Wines—Tokay Szamorodni, Tokay Aszu, Bulls Blood Egri Bikaver, Voros Szekszardi, Greyfriar Szurkebarat, and Hungarian Rizling • Trespal French Chambéry Vermouth • Byrrh Aperitif French Cocktail Wine • Lancers Vin Rose • Vinya Rose Table Wine • Quinta Red Table Wine • Harvey's—Bristol Cream, Bristol Fino, Bristol Dry, Bristol Milk Sherry, Tico Cocktail Sherry, Shooting Sherry, Amontillado Sherry, Director's Bin Port, Hunting Port and Gold Cap Port

FOODS—A.1. Sauce • Escoffier Sauce Robert • Escoffier Sauce Diable • Grey-Poupon Mustard • Snap-E-Tom Tomato Cocktail • Ortega Fancy Whole Chile • Ortega Fancy Diced Chile • Ortega Chile Strips • Ortega Tomatoes & Chile • Ortega Green Chile Salsa • Ortega Red Chile Sauce • Ortega Enchilada Sauce • Ortega Taco Sauce • Ortega Hot Peppers • Ortega Whole Pimientos • Ortega Fancy Sliced Pimientos • Ortega Fancy Diced Pimientos • Ortega Jalapenos en Escabeche • La Mesa Choice Chile (whole) • La Mesa Choice Pimientos • La Costa Choice Pimientos (whole) • La Costa Chile Strips • Co-Va-Co Diced Bell Peppers (Red) • Co-Va-Co Diced Bell Peppers (Green) • Co-Va-Co Choice Pimientos • Co-Va-Co Diced Pimientos